

## House Passes Measure Avoiding Tax Increase for Millions

Saturday, 22 December 2007

Congress recently passed, and Gus supported, another one-year "patch" to the Alternative Minimum Tax (AMT), essentially stopping a massive tax increase (at an average of \$2,000 per person) on more than 22 million Americans for the 2007 tax year. While this is great news for the American taxpayer, House Democrats resisted passing a clean AMT patch earlier this year, raising questions if the late reversal of the AMT can be applied in time for tax filing season.

The AP reported that late action by Congress means that taxpayers might have some difficulty in recouping their refund because the changes could delay processing returns for millions.

"IRS acting commissioner Linda Stiff said the agency would immediately begin reprogramming forms, a process the IRS has said could take about seven weeks. "Our people will do everything they can to quickly update our systems for this major change," she said in a statement.

The independent IRS Oversight Board, in a report on the possible consequences of a delay, predicted that a Feb. 4 start for the filing season would entail a delay in issuing about 13.3-million refunds worth \$39-billion.

"It is likely that there will be some delays, including delays of some refunds," Treasury Secretary Henry Paulson said. He pledged that the Treasury Department and the IRS would strive to keep taxpayers informed."

The AMT was created in 1969 as a mandatory add-on to the existing tax code to prevent 155 of the very wealthiest taxpayers from lowering their tax bills using the available deductions and credits. However, because the AMT exemption is not adjusted for inflation, 3.5 million taxpayers were subject to the AMT in 2006 and tax organizations estimate that 22 million taxpayers may be subject to the AMT in 2007.

After months of insistence by House Democrats that any AMT patch would need a requisite tax increase to follow their pay-as-you-go philosophy, Republican leadership prevailed this week in ensuring that a fix to the AMT would not be bore on the backs of American taxpayers.

An editorial in the WSJ put it this way . . .

"Congress passed the AMT in 1969 to hit a handful of millionaires who were said to be exploiting too many loopholes also passed by Congress. But because it isn't indexed for inflation, and because Democrats raised AMT rates in 1993 to 26% and 28% from a single rate of 24%, the AMT has turned into a blob that sucks in ever more taxpayers earning between \$75,000 and \$200,000 a year.

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Now back in the majority, Democrats have found themselves hoist on their own 2006 campaign pledge for "pay as you

go budgeting," which meant offsetting any AMT tax "cut" with \$50 billion in other tax increases or spending cuts. Mr. Bush and Republicans sensibly argued that, because it was never intended to hit so many people, the AMT shouldn't be used as an excuse to raise taxes on other Americans. And with an election year coming, Senate Democrats didn't want to raise taxes on their rich hedge-fund donors. So House Democrats had little choice but to abandon "paygo" as well and pass AMT relief without any offsetting tax increases."

Gus previously voted against an AMT patch proposed this year by House Democrats, because it would have simply moved the massive tax increase from one group of American taxpayers on to another. While this one-year patch is a victory for the American taxpayer, it only further delays the inevitable, which unfortunately means another fight next year.

Once again in 2008, the struggle over the AMT will involve those who wish to punish the American people by making them pay for a tax created by Congress that no longer serves its purpose and those who believe the AMT needs to be coupled with a much broader reform and simplification of our nation's tax code - not at the taxpayers expense.

The choice is clear, another tax increase to patch the problem or larger tax reform. Gus has cosponsored a piece of legislation, H.R. 3818, that would immediately, fully, and permanently repeal the current AMT. However, repealing the AMT is not enough. American taxpayers are still forced to wade through a complicated, burdensome tax code every year.

Taxpayers not only deserve tax relief through a full repeal of the AMT, but also deserve a choice in the way they calculate their taxes. That is why H.R. 3818 makes permanent the current capital gains and dividends tax rates and creates a voluntary Simplified Tax that would give individuals the option of paying under a highly simplified income tax system or under the regular income tax as it is structured now.

The WSJ editorial referenced above gives some advice to the Majority as they move to address the AMT issue once again next year . . .

"Our own advice is that Democrats could avoid these annual acts of political masochism if they'd merely repeal their own 1993 AMT tax-rate increases, which would stop the tax from snaring so many voters in their own "blue" states. Meantime, who would have guessed that a Democratic Congress would continue Mr. Bush's streak of cutting taxes in some form in every year of his Presidency. Congratulations, Madam Speaker."